



DONALD L. WOLFE, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

April 10, 2007

IN REPLY PLEASE

REFER TO FILE: **PJ-2**

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**LAC+USC MEDICAL CENTER REPLACEMENT PROJECT
APPROVAL OF CONSTRUCTION CHANGE ORDERS
SETTLEMENT OF MED CENTER MECHANICAL CLAIM
CONTRACT PW-12641; MCCARTHY/CLARK/HUNT, A JOINT VENTURE
SPECS. 6550; C.P. 70787
SUPERVISORIAL DISTRICT 1
4 VOTES**

**JOINT RECOMMENDATION WITH THE CHIEF ADMINISTRATIVE OFFICER THAT
YOUR BOARD:**

Approve and authorize the Director of Public Works to execute the following change orders with McCarthy/Clark/Hunt, a Joint Venture to:

1. Resolve disputed issues relating to, among other things, additional pipe and duct fitting work performed by McCarthy/Clark/Hunt's subcontractor, Med Center Mechanical, in the \$7,375,798 aggregate amount.
2. Resolve 196 specific disputed and undisputed issues relating to work performed by McCarthy/Clark/Hunt's subcontractor, Med Center Mechanical, through October 31, 2006, in the \$6,122,855 aggregate amount.

REASON AND SCOPE RECOMMENDATION 1

Unforeseen condition	<input type="checkbox"/>	Regulatory agency requirement	<input type="checkbox"/>
Drawing coordination	<input type="checkbox"/>	Previously approved scope change	<input type="checkbox"/>
Contract supplement	<input type="checkbox"/>	Errors and omissions	<input checked="" type="checkbox"/>

The recommended \$7,375,798 change order is to resolve disputed claims associated with the work of a first tier subcontractor to McCarthy/Clark/Hunt. McCarthy/Clark/Hunt submitted pass-through claims relating to Med Center Mechanical's work in the \$21,486,213 aggregate amount, encompassing additional pipe and duct fittings in the \$6,136,213 claimed value as well as additional impact and various other items as set forth below in the \$15,350,000 claimed amount. This change order would conclude an extensive negotiation process as well as two previous actions by your Board as described below.

BACKGROUND

Beginning in September 2004, McCarthy/Clark/Hunt's subcontractor, Med Center Mechanical, began a series of assertions of additional direct, indirect, and impact costs related to additional ductwork fittings and piping offsets required in the Diagnostic and Treatment and Inpatient Tower buildings, respectively. However, there was insufficient clarity, detail, quantification, justification, or costs associated with these assertions. Our review of the preliminary information led us to believe that while McCarthy/Clark/Hunt, through its subcontractor, Med Center Mechanical, installed some additional fittings and offsets in its work, these additional fittings and offsets were employed for the sole benefit of the contractor/subcontractor to facilitate its installations, reduce system run lengths, avoid conflicts with its own installations, and/or reduce seismic bracing requirements.

In mid-June 2005, McCarthy/Clark/Hunt provided a summary of the Med Center Mechanical pass-through claim as follows:

Inpatient Tower pipe fitting claim	\$2,940,382.62
Additional detailing costs	\$ 555,507.00
Piping offsets including impact	<u>\$ 790,265.37</u>
Total Inpatient Tower Fitting Claim	\$4,286,154.99
Diagnostic and Treatment duct fitting claim	<u>\$1,850,058.00</u>
Total Claim	<u>\$6,136,212.99</u>

A series of meetings was conducted throughout the summer of 2005 in order to resolve these issues. In August 2005, we agreed that the contractor was entitled to \$500,000 for additional detailing cost, which was approved by your Board in October 2005. We further agreed with the contractor on a procedure to validate the use of additional offsets and fittings as a means of resolving this dispute. That validation process commenced in September 2005 and concluded in April 2006. At the end of that process, McCarthy/Clark/Hunt's pass-through claim relating to this work of Med Center Mechanical was increased in the Inpatient Tower from \$3,800,000 to \$5,200,000 and, although not formalized in writing, it was asserted that the value of the Diagnostic and Treatment building duct claim would increase as well.

During the summer of 2006, McCarthy/Clark/Hunt also asserted the following additional pass-through claims relating to Med Center Mechanical's work:

Impacted overhead for Med Center Mechanical's work	\$ 3,000,000
Additional labor at the cross corridors	\$ 550,000
Additional seismic bracing administration	\$ 200,000
Inpatient Tower 9th Floor plenums	\$ 3,000,000
Additional plumbing and sheet metal impacts	<u>\$ 8,600,000</u>
Total value of additional claims	\$15,350,000
Piping and fitting claims	<u>\$ 6,136,213</u>
Total Claims	\$21,486,213

On August 1, 2006, your Board approved two change orders with McCarthy/Clark/Hunt to provide additional pipe fittings in the Inpatient Tower building for \$1,500,000 and to provide additional mechanical ductwork offsets and fittings in the Diagnostic and Treatment building for \$750,000 for a \$2,250,000 aggregate value. The amount requested was Public Works' then current estimate of the fair value for the undisputed portion of the work in question. The value requested was not acknowledged as full compensation by McCarthy/Clark/Hunt or Med Center Mechanical. It was stated, at that time, that the process of resolution was ongoing, that Public Works and the general contractor were continuing to meet to resolve the outstanding issues, and that we would return to your Board if it was determined that further compensation was justified. This effort was undertaken in order to bring about a partial equitable resolution of disputed issues.

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We have now concluded our evaluation of the disputed matters and are requesting that your Board authorize the Director of Public Works to execute a change order with McCarthy/Clark/Hunt to resolve all such claims associated with the work of Med Center Mechanical for an additional \$7,375,798, the detail of which is as follows:

Inpatient Tower pipe fittings (including general contractor's markups)	\$ 4,019,640
Diagnostic and Treatment duct fittings (including general contractor's markups)	<u>\$ 1,956,930</u>
Subtotal	\$ 5,976,570
Additional claims	<u>\$ 3,649,228</u>
Subtotal	\$ 9,625,798
Less previously approved and paid amount	<u><u>\$(2,250,000)</u></u>
Net amount of this Change Order	\$ 7,375,798

We have evaluated the merit of the above pass-through claims of McCarthy/Clark/Hunt relating to the work of Med Center Mechanical, and we have conducted extensive negotiations with McCarthy/Clark/Hunt and Med Center Mechanical and reached an agreement that the pipe and duct fitting claims have merit in the \$5,976,570 aggregate amount, including general contractor's markups. We have also reached an agreement with McCarthy/Clark/Hunt and Med Center Mechanical that the additional claims submitted during the summer of 2006 totaling \$15,350,000 have limited merit and that entitlement for the remaining items will be settled in the \$3,649,228 aggregate value. As part of the resolution, McCarthy/Clark/Hunt agrees to provide an unconditional release of their claim for any direct, indirect, and impact costs associated with any claim or change issue relating to Med Center Mechanical work through October 31, 2006.

REASON AND SCOPE RECOMMENDATION 2

Unforeseen condition	<input type="checkbox"/>	Regulatory agency requirement	<input type="checkbox"/>
Drawing coordination	<input type="checkbox"/>	Previously approved scope change	<input type="checkbox"/>
Contract supplement	<input type="checkbox"/>	Errors and omissions	<input checked="" type="checkbox"/>

As part of these negotiations, we agreed with McCarthy/Clark/Hunt that all identified issues involving the work of its subcontractor, Med Center Mechanical, should be included within this change order. Therefore, all open change issues that have been previously identified relating to the work of McCarthy/Clark/Hunt's subcontractor, Med Center Mechanical, through October 31, 2006, which comprise 248 distinct issues, are resolved on an individual basis in a \$8,568,180 aggregate amount. All but five of these change issues fall within the delegated authority of the Director of Public Works and could have been approved on that basis; however, it was determined to be more efficient to wrap all such issues into a comprehensive change order and waiver and release document. In addition, the County of Los Angeles and McCarthy/Clark/Hunt have executed 48 change orders since the beginning of this change order negotiation for \$878,248.

Your Board previously approved four change orders bringing the total remaining settled changes to 196 for McCarthy/Clark/Hunt's subcontractor Med Center Mechanical, which are referenced in this change order but will be paid from the respective Board letter listed below:

1. Psychiatric Unit Conversion, adopted April 11, 2006, for \$6,600,000, which included the Med Center Mechanical's portion of the work and McCarthy/Clark/Hunt's markup for \$378,032, for the installation of the plumbing point of connection for the future tenant improvement build out.
2. Upgrade surgical light and gas columns, adopted March 1, 2005, for \$352,269, which included Med Center Mechanical's portion of the work and McCarthy/Clark/Hunt's markup for \$122,378, for the installation for the medical vacuum oxygen system revisions.
3. Addition to the main computer room, adopted October 11, 2005, for \$695,000, which included Med Center Mechanical's portion of the work and McCarthy/Clark/Hunt's markup for \$113,715, for the utilities modification necessitated by the increase of the ceiling clearance.
4. Upgrade seismic bracing utilities, adopted July 18, 2006, for \$2,850,000, which included Med Center Mechanical's portion of the work and McCarthy/Clark/Hunt's markup for \$952,952, for the installation of additional structural steel pipe bracing due to the seismic upgrade from .45G to 1.2G.

Therefore, the resulting net amount to be paid to MacCarthy/Clark/Hunt for the 196 issues is \$6,122,855. This is after deduction of the executed 48 change orders for \$878,248, and the total of \$1,567,077 for the four already Board-approved change orders per the following breakdown:

Settlement amount for the 248 items	\$ 8,568,180
Less	
Point of connection for Psychiatric Unit Conversion	\$ (378,032)
Medical Vacuum Oxygen System	\$ (122,378)
Utilities modification at Computer Room	\$ (113,715)
Seismic upgrade for Central Plant Piping	\$ (952,952)
	Subtotal
	<u>\$(1,567,077)</u>
Less 48 executed change orders from 10/31/06 to present	<u>\$ (878,248)</u>
Net amount of Change Order	\$ 6,122,855

Approving the recommended action will allow the contractor to proceed with the work without further delays.

We have reviewed this recommendation as well as the potential cost impact with the Project Advisory Committee. This change order is considered to be within the scope of the project.

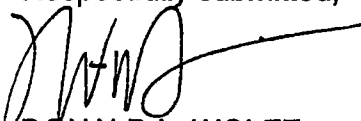
There is sufficient appropriation in the Fiscal Year 2006-07 Capital Projects Budget (C.P. 70787) to fund this action. However, we anticipate that the overall project will need to be augmented. Funding for any projected shortfall will be included in the 2007-08 Proposed Budget. Public Works and the Chief Administrative Office are continually monitoring the project's financial position and will report back to your Board as necessary regarding any additional anticipated close-out costs.


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CONCLUSION

Please return an adopted copy of this letter to the Chief Administrative Office (Capital Projects Division) and Public Works.

Respectfully submitted,


for DONALD L. WOLFE
Director of Public Works


DAVID E. JANSSEN
Chief Administrative Officer

KY:cb

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cc: County Counsel
Department of Health Services (Fred Leaf)
Project Advisory Committee (A. Redmond Doms, Jerry Epstein, Nick Patsaouras)